



Sales Tax Exemption Certificates

Bulletin S&U-6

Introduction

The New Jersey Sales and Use Tax Act (the "Act") imposes a tax of 6% on the receipts from every retail sale of tangible personal property and some services (except as otherwise provided in the Act). Under certain conditions, exemptions are provided for otherwise taxable transactions. This bulletin explains the proper completion and use of the following New Jersey exemption certificates used to make qualified exempt purchases:

<i>Form ST-3</i>	<i>Resale Certificate</i>
<i>Form ST-3NR</i>	<i>Resale Certificate for Non-New Jersey Vendors</i>
<i>Form ST-4</i>	<i>Exempt Use Certificate</i>
<i>Form ST-5</i>	<i>Exempt Organization Certificate</i>
<i>Form ST-6A</i>	<i>Direct Payment Certificate</i>
<i>Form ST-7</i>	<i>Farmer's Exemption Certificate</i>
<i>Form ST-8</i>	<i>Certificate of Capital Improvement</i>
<i>Form ST-10</i>	<i>Motor Vehicle Sales and Use Tax Exemption Report</i>
<i>Form ST-10-A</i>	<i>Aircraft Dealer Sales and Use Tax Exemption Report</i>
<i>Form ST-10V</i>	<i>Vessel Dealer Sales and Use Tax Exemption Report</i>
<i>Form ST-13</i>	<i>Contractor's Exempt Purchase Certificate</i>
<i>Form ST-16</i>	<i>Exemption Certificate for Student Textbooks</i>
<i>Form UZ-4</i>	<i>Contractor's Exempt Purchase Certificate - Urban Enterprise Zone</i>
<i>Form UZ-5</i>	<i>Urban Enterprise Zone Exempt Purchase Certificate</i>

NJ Exemption Certificates

Under New Jersey law, some items are exempt from sales and use tax regardless of who buys them or how they are used. Examples of exempt items include most clothing, most items of food and drink (except when sold in or by restaurants or similar establishments) and prescription drugs. There are however, items which are exempt from tax only under certain conditions. The New Jersey Division of Taxation issues several exemption certificates which allow qualified individuals and businesses to purchase taxable merchandise and services tax-free. Each exemption certificate has its own specific use.

Agencies of the Federal government and the United Nations as well as the State of New Jersey and its political subdivisions are exempt from paying sales tax provided the agency making the purchase supplies the vendor with a copy of a valid purchase order or contract signed by an authorized official. See page 13 for further information.

Registration

Any person or organization engaged in selling taxable goods or services in this State must register with the State for sales tax purposes by filing a business registration application (Form NJ-REG) at least 15 business days before starting operations or opening an additional place of business in this State. If your application indicates that you will collect sales tax or purchase items for resale, you will be sent a New Jersey Certificate of Authority (Form CA-1) for sales tax. This certificate is your authorization from

the State of New Jersey to collect sales tax and to issue or accept exemption certificates.

The Certificate of Authority will bear your assigned New Jersey tax identification number, which is usually based on either your Federal employer identification number (FEIN) or your social security number. Your New Jersey tax identification number will appear on all pre-printed forms sent to you by the State. You must include your tax identification number on all exemption certificates you issue.

A Public Records Filing may also be required depending upon the type of business ownership. More information is available in the *New Jersey Complete Business Registration Package* (NJ REG) or by calling 609-292-6400.

Form NJ-REG may be filed online from the Division of Revenue's New Jersey Business Gateway Services Web site (www.state.nj.us/njbgs/). The Public Records Filing required for certain businesses may also be completed online from this Web site. (There is a fee associated with the Public Records Filing.)

Issuing and Accepting Exemption Certificates

Generally, both the purchaser issuing an exemption certificate and the seller accepting it must be registered with New Jersey. However, non-registered purchasers may issue exemption certificates in certain circumstances.

The purchaser must fill out the exemption certificate completely, providing the purchaser's New Jersey tax identification number, the name and address of the vendor, the merchandise or service being purchased, and any other informa-

tion specified on the form. Eligible nonregistered purchasers issuing exemption certificates must provide one of the following in lieu of a New Jersey tax identification number:

1. Federal employer identification number of the business
2. Out-of-State registration number
3. I.C.C. permit number
4. Social security number

Nonregistered purchasers may issue the following exemption certificates:

- ST-3NR Resale Certificate for Non-New Jersey Vendors
- ST-4 Exempt Use Certificate
- ST-7 Farmer's Exemption Certificate
- ST-8 Certificate of Capital Improvement
- ST-16 Exemption Certificate for Student Textbooks

However, the New Jersey seller *accepting* an exemption certificate *must* always be registered with New Jersey.

A single exemption certificate may cover additional purchases of the same general type of property by the same purchaser from the same vendor.

Generally, out-of-State businesses wishing to make exempt purchases in this State must register with New Jersey. However, exceptions exist for "drop shipments" and for "qualified out-of-State vendors" making purchases in this State for resale. A drop shipment occurs when an out-of-State vendor that is not registered with New

Jersey instructs a New Jersey vendor to deliver merchandise to the out-of-State vendor's customer in New Jersey. The acceptable resale certificates for a qualified out-of-State vendor to use for a drop shipment are:

1. Purchaser's out-of-State resale certificate; or
2. Multijurisdiction Uniform Sales & Use Tax Certificate published by the Multi-State Tax Commission; or
3. New Jersey Form ST-3NR.

For information on purchases for resale by "qualified out-of-State vendors" see *Resale Certificate for Non-New Jersey Vendors (Form ST-3NR)* on page 7.

Good Faith

To act in *good faith* means to act in accordance with standards of honesty. In general, registered vendors who accept exemption certificates in good faith are relieved of liability for the collection and payment of sales tax on the transaction covered by the exemption certificate. The business owner is presumed to be familiar with the law and the regulations pertaining to the business, and to know when exemption certificates can be issued or accepted.

In order for good faith to be established, the following conditions must be met;

- Certificate must be an official form or a proper and substantive reproduction;
- Certificate must be filled out completely and correctly;
- Certificate must be dated and include the purchaser's New Jersey tax identification number or, for a qualified nonregistered purchaser, the

Federal employer identification number, out-of-State registration number, I.C.C. permit number, or social security number;

- Property purchased is of a type ordinarily used for an exempt purpose in the purchaser's business (in the case of a business); and
- Seller has no reason to doubt that the purchaser has the right under the Sales and Use Tax Act to make an exempt purchase.

Example

Joe, of J and J's Pharmacy, may issue a New Jersey Resale Certificate, Form ST-3, to buy cosmetics for resale. However, he may *not* use a resale certificate to purchase tires for his delivery truck. The tire vendor can determine from the information listed on the ST-3 that Joe is clearly not in the business of selling tires and therefore may not issue (and the vendor may not accept) a resale certificate for this purchase.

Improper Certificates

Unless all the good faith conditions are met, the seller may *not* accept the exemption certificate, and *must* collect sales tax from the purchaser instead. Sales transactions which are not supported by properly executed exemption certificates are considered taxable sales. The burden of proof that tax was not required to be collected is on the seller.

Correcting Certificates

Businesses have up to sixty (60) days after the sale is completed to obtain a corrected certificate if the original exemption certificate lacked some necessary information, or if the information was incorrectly stated.

Retaining Certificates

Certificates must be retained by the vendor for at least four (4) years from the date of the last transaction covered by the certificate. Certificates must be in the physical possession of the seller and available for inspection by the Division of Taxation.

Out-of-State Sales

A vendor that sells taxable items to customers in another state and delivers the items sold out of State to the purchaser does not collect New Jersey sales tax. The vendor's records should show the out-of-State destination point and the vendor should keep evidence of the method of delivery to that location such as parcel post receipts, bills of lading, etc. For more information on out-of-State sales, request ANJ-10, *Out-of-State Sales & New Jersey Sales Tax*.

Sales are subject to New Jersey sales tax if the out-of-State customer takes delivery or possession of the items sold in this State at the time of purchase. However, if it is a purchase for resale, an out-of-State purchaser that is registered with New Jersey may issue a New Jersey Resale Certificate (Form ST-3) and not pay sales tax. A qualified out-of-State vendor may also make tax-exempt purchases in New Jersey of goods and services purchased for resale. See *Resale Certificate (Form ST-3)* below and *Resale Certificate for Non-New Jersey Vendors (Form ST-3NR)* on page 7.

Using Exemption Certificates Resale Certificate (Form ST-3)

Form ST-3 is used by registered vendors to purchase tangible personal property either for resale

in its present form or for incorporation into other property held for sale. When purchasing goods or services, a retailer or wholesaler issues Form ST-3 to the wholesaler or manufacturer. This exempts the retailer or wholesaler from the sales tax on the purchase. Sales tax is collected when these items are sold at retail. New Jersey registered businesses may issue Form ST-3 when purchasing the following:

- **Inventory** intended for resale, rent or lease

Example

Ron, of Ron's Toy Store, purchases an inventory of dolls to sell on a retail basis. Ron issues the doll manufacturer a resale certificate instead of paying sales tax.

Ron also needs display cases for the dolls. He may *not* use a resale certificate when purchasing the display cases because they are not intended for resale. He must pay sales tax on the display cases.

Example

Allen, of Appliance Rentals, Inc., purchases inventory to rent on a retail basis. He issues his supplier Form ST-3 and does not pay sales tax on the purchases. Allen will collect sales tax from his customers each time they rent an appliance from him.

When items purchased with a resale certificate are taken out of inventory for personal use, the business owner must pay New Jersey use tax on the items that are not resold. Use tax is computed on the purchase price of the items at the current sales tax rate. For more information on use tax liabilities, request ANJ-7, *Use Tax in New Jersey*.

Inventory for resale does *not* include supplies and materials purchased by contractors. A contractor is someone who works on the land and/or buildings of another. Contractors (e.g., builders, landscapers) must *always* pay sales tax on the materials and supplies they purchase unless the property being worked on belongs to a qualified exempt organization, a qualified urban enterprise zone business, or a qualified housing sponsor. See *Contractor's Exempt Purchase Certificate (Form ST-13)* on page 15 and *Contractor's Exempt Purchase Certificate - Urban Enterprise Zone (Form UZ-4)* on page 16 for additional information.

NOTE: Fabricator/contractors (i.e., those who build, sell, and install items such as cabinets or heating ducts which become component parts of real property) and floor covering dealers follow special rules for paying sales tax on materials and supplies.

Additional information for contractors, including fabricator/contractors and floor covering dealers, is contained in Tax Topic Bulletin S&U-3, *Contractors and New Jersey Taxes*, ANJ-4, *Landscapers & New Jersey Sales Tax*, and ANJ-5, *Floor Covering Dealers*.

- **Raw Materials** which will become component parts of the finished product

Example

Midge, a silversmith, purchases silver to make jewelry. She may issue her supplier Form ST-3 and pay no sales tax since the silver becomes part of the jewelry she is producing for resale.

When Midge purchases tools for her business, she may *not* use a resale certificate since the tools do not become a component part of her finished product. She must pay sales tax on the tools.

- **Services** for resale

Example

Tom's Gas Station is unable to complete all the repairs to a customer's car. Tom sends the car to a transmission specialist (Ace Transmission Repairs) who completes the work and returns the car to Tom's Gas Station. Tom may issue a resale certificate to the transmission specialist and pay no sales tax when he pays for the parts and services. When Tom bills his customer, he must charge sales tax on the total bill (i.e., the charges for both parts and labor).

If Tom has the garage's hydraulic lifts repaired, he may *not* issue a resale certificate to the repairman since the service rendered will not be resold. Tom must pay sales tax on the price of the repair.

See page 6 for an illustration of how Tom will complete the Form ST-3 Resale Certificate he issued for the repair services purchased from Ace Transmission Repairs.

ST-3 (11-99, R-10)

**State of New Jersey
DIVISION OF TAXATION
SALES TAX
FORM ST-3
RESALE CERTIFICATE**

The seller must collect the tax on a sale of taxable property or services unless the purchaser gives him a properly completed New Jersey exemption certificate.

PURCHASER'S NEW JERSEY
CERTIFICATE OF AUTHORITY NUMBER

222-678-901/000

To be completed by purchaser and given to and retained by seller. See instructions on back.
Seller should read and comply with the instructions given on both sides of an exemption certificate.

TO Ace Transmission Repairs Date 5/21/03
(Name of Seller)

163 Holland Ave. Budd Lake NJ 07828
Address City State Zip

The undersigned certifies that:

- (1) He holds a valid Certificate of Authority (number shown above) to collect State of New Jersey Sales and Use Tax.
(2) He is principally engaged in the sale of (indicate nature of merchandise or service sold):

Motor fuels, supplies, and auto repairs

- (3) The merchandise or services being herein purchased are described as follows:

Transmission repairs

- (4) The **merchandise** described in (3) above is being purchased: *(check one or more of the blocks which apply)*

- (a) ☐ For resale in its present form.
(b) ☐ For resale as converted into or as a component part of a product produced by the undersigned.
(c) ☐ For use in the performance of a taxable service on personal property, where the property which is the subject of this Certificate becomes part of the property being serviced or is later transferred to the purchaser of the service in conjunction with the performance of the service.

- (5) The services described in (3) above are being purchased: *(check the block which applies)*

- (a) ☒ By a vendor who will either collect the tax or will resell the services.
(b) ☐ To be performed on personal property held for sale.

I, the undersigned purchaser, have read and complied with the instructions and rules promulgated pursuant to the New Jersey Sales and Use Tax Act with respect to the use of the Resale Certificate, and it is my belief that the seller named herein is not required to collect the sales or use tax on the transaction or transactions covered by this Certificate. The undersigned purchaser hereby swears (under the penalties for perjury and false swearing) that all of the information shown in this Certificate is true.

Tom's Gas Station, Inc.

NAME OF PURCHASER (as registered with the New Jersey Division of Taxation)

16 Beverly Dr., Budd Lake, NJ 07828

(Address of Purchaser)

By Thomas Abbott

(Signature of owner, partner, officer of corporation, etc.)

President

(Title)

Resale Certificate for Non-New Jersey Vendors (Form ST-3NR)

Form ST-3NR is used by qualified out-of-State vendors to make tax-exempt purchases in New Jersey of goods or services purchased for resale. “Qualified out-of-State vendors” are vendors that (1) are not registered with New Jersey, (2) are not required to be registered with New Jersey, and (3) are registered with another state.

When a qualified out-of-State vendor carries the goods away with him from the point of sale, or sends his own vehicle or messenger to pick them up in New Jersey, the *only* acceptable resale certificate for the qualified out-of-State vendor to use is the Resale Certificate for Non-New Jersey Vendors (Form ST-3NR). The ST-3NR requires the person picking up the merchandise to provide acceptable identification (i.e., driver’s license of any state in the United States, major credit card including photograph, or any identification card which includes a number *and* a photograph *and* the bearer’s address).

Qualified out-of-State vendors may also use Form ST-3NR for drop-shipment sales in New Jersey. See *Issuing and Accepting Exemption Certificates* on page 2.

Exempt Use Certificate (Form ST-4)

Form ST-4 makes it possible for businesses to purchase production machinery, packaging supplies, and other goods or services without paying sales tax if the way they intend to use these items is specifically exempt under New Jersey law. The exemption does not apply to services performed on the property, except as otherwise noted.

In addition to the following qualified purchases, Form ST-4 may also be used by the Federal gov-

ernment, the United Nations, the State of New Jersey and any of their agencies as acceptable proof of exemption from sales tax when making cash purchases of \$150 or less instead of an official purchase order or contract. See *Exempt Organization Certificate (Form ST-5)* on page 13.

- **Advertising for Use Out of State:**

See *Direct-Mail Advertising for Use Out of State* on page 8.

- **Certain Aircraft:** (a) Aircraft used by an air carrier as defined by the Civil Aeronautics Board or the Code of Federal Regulations having its principal place of operations within New Jersey and engaging in interstate, foreign, or intrastate air commerce. Repairs to such aircraft, including the installation of equipment or machinery and replacement parts and labor therefor, are also exempt. (b) Repairs to aircraft having a maximum takeoff weight of 6,000 pounds or more as certified by the Federal Aviation Administration, including machinery or equipment installed on such aircraft and replacement parts therefor. However, the exemption does not extend to purchases of this class of aircraft.
- **Certain Buses:** Bus companies whose rates are regulated by the Interstate Commerce Commission or the Department of Transportation may purchase buses for public passenger transportation with Form ST-4. This exemption also applies to buses purchased by common or contract carriers who transport children to and from school. Repair and replacement parts for qualified buses as well as labor charges associated with such repairs are also entitled to exemption.
- **Certain Chemicals and Catalysts:** Materials used to induce chemical or refining

processes in which the materials are an essential part of the process but do not become part of the finished product.

- **Commercial Fishing Boats:** Certain boats, including commercial party boats (headboats) engaged in sport fishing and subject to annual inspection by the U.S. Coast Guard, and vessels primarily engaged in commercial fishing or shellfishing. Also exempt are charges for repairs, alterations, reoutfitting of boats, fuel, maintenance, and charges for supplies (other than articles purchased for the original equipping of a new ship). Equipment necessary for harvesting fish and shellfish may also be purchased with Form ST-4.
- **Commercial Motor Vehicles:** The purchase, rental, or lease of commercial trucks, tractors, trailers, and vehicles used in combination with such, which are registered as required by New Jersey law and have a gross vehicle weight rating of more than 26,000 pounds or are operated exclusively for the carriage of interstate freight pursuant to Federal law are exempt from tax. Repair parts and replacement parts are also exempt. The exemption also applies to trucks, trailers, and truck-trailer combinations that are used directly and exclusively in the production for sale of tangible personal property on farms when the vehicles have a gross vehicle weight rating in excess of 18,000 pounds and are registered with the New Jersey Division of Motor Vehicles for farm use. A New Jersey Exempt Use Certificate, Form ST-4, should be issued to the vendor at the time of purchase. The purchaser is *not* required to be registered with the State to issue Form ST-4 for the purchase of commercial motor vehicles.

Example

Fred is a commercial trucker. He operates a vehicle which is registered in Pennsylvania and has a gross vehicle weight rating in excess of 26,000 pounds. When Fred has repairs made in New Jersey, he may give his mechanic an exempt use certificate instead of paying sales tax on the parts. Sales tax must be paid on the charges for labor. As a qualified nonregistered purchaser, Fred will enter his social security number on Form ST-4. When Fred buys motor oil for his truck, he may *not* issue an exempt use certificate. Motor oil is a supply, and sales tax must be paid at the time of purchase.

- **Commercial Printing:** Machinery and equipment used by businesses engaged in commercial printing, publishing of periodicals, books, business forms, greeting cards, or miscellaneous publishing, typesetting, photoengraving, electrotyping, stereotyping, and lithographic platemaking, including supplies.
- **Communications:** Telephones, telephone lines, cables, central office equipment, or station apparatus, or other machinery or equipment, including comparable telegraph equipment sold to a service provider subject to the jurisdiction of the Board of Public Utilities or the Federal Communications Commission, for use directly and primarily in receiving at destination or initiating, transmitting, and switching telephone, telegraph, or interactive telecommunications service for sale to the general public.
- **Direct-Mail Advertising for Use Out of State:** Advertising or promotional materials which are prepared within or outside of New Jersey by a New Jersey direct-mail advertising or promotional firm for distribution out of

State. The exemption applies to charges for printing or production of advertising and promotional materials whether prepared in New Jersey or shipped into this State after preparation and stored for subsequent shipment to out-of-State customers. The exemption also applies to direct-mail advertising processing services performed in connection with the distribution of advertising or promotional materials to out-of-State recipients. Direct-mail advertising processing services include, but are not limited to, preparing and maintaining mailing lists, addressing, separating, folding, inserting, sorting, and packaging advertising or promotional materials.

Example

The A-1 advertising agency, located in Trenton, New Jersey, produced a brochure promoting the products of the Smooth-Touch Leather Company of Langhorne, Pennsylvania. A-1 also packaged, labeled, sorted, and mailed the brochure to prospective customers whose names were selected from a mailing list prepared and maintained by the agency. Of the 150,000 brochures distributed, 80% were mailed to addresses outside New Jersey. When A-1 bills Smooth-Touch, it must charge sales tax on 20% of its fee for printing the brochures since that is the percentage of advertising material that was distributed in New Jersey. A-1 must also charge sales tax on 20% of its fee for the direct-mail processing services performed in connection with distributing the brochures. Separately stated charges for the design and layout of the brochure are nontaxable advertising services.

If A-1 performed no direct-mail advertising processing services, but simply produced the

brochures and sent them all to Smooth-Touch in Pennsylvania, A-1 would not charge sales tax on its fee for printing the brochures since the material was shipped to a location outside New Jersey.

- **Certain Broadcasting Equipment:** Machinery, apparatus, or equipment used directly and primarily in the production or transmission of radio or television broadcasts by commercial broadcasters operating under a broadcasting license issued by the Federal Communications Commission or by providers of cable/satellite television program services. The exemption also applies to parts with a useful life of more than one year. Equipment used in the construction or operation of towers does not qualify for the exemption.
- **Film/Video Production:** Tangible personal property used directly and primarily in the production of film or video *for sale* including motor vehicles, replacement parts (without regard to useful life), tools, and supplies. Charges for installing, maintaining, servicing, or repairing such property are also exempt. "Film or video" means motion pictures including feature films, shorts and documentaries, television films or episodes, and similar film and video productions whether for broadcast, cable, closed circuit, or unit distribution, and whether in the form of film, tape, or other analog or digital medium. The exemption does not apply to any film or video produced by or on behalf of a corporation or other person for its own internal use for training, advertising, or other similar purposes.
- **Film, Audio/Visual Material:** Films, records, tapes, and other types of visual or sound transcriptions produced for exhibition in the-

aters or for broadcast by radio or television stations or networks and not used for advertising may also be purchased with Form ST-4.

- **Limousines:** Limousines sold to a person licensed under New Jersey law to operate a limousine service and charges for the repair, including replacement parts, of a limousine operated by a person so licensed or by a person licensed by another state or by the United States to operate a limousine service.

A “limousine” is defined as (1) a motor vehicle registered under the provisions of N.J.S.A. 39:3-19.5, or registered as a limousine under the laws of another state or the United States; and (2) used exclusively in the business of carrying passengers for hire to provide prearranged passenger transportation at a premium fare on a dedicated, nonscheduled, charter basis, that is not conducted on a regular route and with a seating capacity of no more than 14 passengers, excluding the driver.

For purposes of the exemption, a limousine does not include any taxicab, hotel or airport shuttle or bus, or bus used solely to transport children or teachers to and from school, nor does it include any vehicle owned and operated without charge by a business entity for its own purposes.

- **Newspaper Advertising:** Advertising materials to be published in a newspaper or magazine, such as display or classified ads.
- **Newspaper Production Machinery:** Machinery and equipment used directly and primarily in the production of newspapers, including supplies. This machinery and equipment must be located in the production department of a newspaper plant.

- **Wrapping/Packaging Materials:** Wrapping paper, bags, cartons, tape, rope, twine, labels, nonreturnable containers, and all other packaging supplies *when the use of the supplies is incidental to the delivery of merchandise*. Storage containers are not considered to be packaging materials. However, containers used in a farming enterprise are exempt.

Example

Henry Johnson owns a company (Crest Manufacturing, Inc.) that manufactures television sets. In order to deliver the sets to wholesalers, he must package them in cardboard boxes and seal the boxes with tape. When Henry purchases the boxes and rolls of tape, he may issue his supplier an exempt use certificate. However, he may *not* purchase the tape dispensers with Form ST-4 as these items are not part of the packaging used to deliver the television sets.

See page 12 for an example of how Henry will complete Form ST-4 when purchasing the packaging materials necessary to deliver his television sets.

- **Production Machinery:** Machinery and equipment used directly and primarily in the production of merchandise by manufacturing, assembling, processing, and refining. The exemption also applies to parts with a useful life of more than one year, and to imprinting services performed on such machinery. The exemption does not apply either to supplies or to tools which are simple, hand-held, manually operated instruments used in connection with the production machinery or equipment.

Example

Jim purchases a turret lathe for use in his machine business. He may issue his supplier an exempt use certificate instead of paying sales tax because the lathe will be used directly in the production of merchandise for sale. However, Jim may *not* use Form ST-4 to purchase a forklift used exclusively to transport his final product from the warehouse to the loading dock.

- **Recycling Equipment:** Equipment which is used exclusively to sort and prepare solid waste for recycling or in the recycling of solid waste. Equipment used in the process after the first marketable product is produced or equipment used to reduce iron or steel waste to a molten state does not qualify.
- **Research and Development:** Tangible personal property purchased for use or consumption directly and exclusively in research and development in the experimental or laboratory sense. Research and development in the experimental or laboratory sense means research and development work which has as its goal or purpose:
 1. Basic research in a scientific or technical field of endeavor; or
 2. The advancement of technology by experimentation in a scientific or technical field of endeavor; or
 3. The development of new products; or
 4. The improvement of existing products; or
 5. The development of new uses for existing products.

Research and development does not include the ordinary testing or inspection of materials or products for quality control, efficiency surveys, management studies, consumer surveys,

advertising, promotions, or research in connection with literary, historical, or other scholarly research done in fields other than science and technology.

Example

True Alloys, Inc. purchases materials from which it will construct an apparatus that its research department will use to test the strength of several new alloys the company is developing. True Alloys will issue an exempt use certificate to the supplier and not pay sales tax on the purchase since the materials are being used directly in laboratory research. However, True Alloys must pay sales tax when it buys the special tools and dies needed to construct the apparatus since the tools are only incidental to research.

- **Solar Energy Devices:** Devices or systems specifically approved by the Board of Public Utilities, Division of Energy and designed to provide heating or cooling or electrical or mechanical power by converting solar energy to some other usable energy source, including devices for storing solar-generated energy. The purchaser is *not* required to be registered with New Jersey to issue Form ST-4 to purchase solar energy devices.

Example

Mary buys a solar energy collector to heat and cool her home. She may issue the supplier an exempt use certificate instead of paying sales tax on the collector. However, she may *not* use an exempt use certificate to purchase insulation used to reduce heat loss through her walls, roof, slab, or foundation. Since insulation is not directly used in the gathering, storing, or conversion of solar energy, sales tax must be paid when it is purchased.

ST-4 (2-00, R-12)

State of New Jersey
DIVISION OF TAXATION

ELIGIBLE NONREGISTERED
PURCHASER: SEE INSTRUCTIONS**

SALES TAX
FORM ST-4

PURCHASER'S NEW JERSEY
CERTIFICATE OF AUTHORITY NUMBER

222-092-244/000

EXEMPT USE CERTIFICATE

To be completed by purchaser and given to and retained by seller.
Please read and comply with instructions on both sides of this Certificate.

TO West End Packaging Date 5/19/03
(Name of Seller)
1166 Homer St. Hackettstown NJ 07840
Address City State Zip

The undersigned purchaser certifies that there is no requirement to pay the New Jersey Sales and/or Use Tax on the purchase or purchases covered by this Certificate because the tangible personal property or services purchased will be used for an exempt purpose under the Sales & Use Tax Act.

The tangible personal property or services will be used for the following exempt purpose:

Delivering television sets.

The exemption on the sale of the tangible personal property or services to be used for the above described exempt purpose is provided in subsection N.J.S.A. 54:32B- 8.15 (See reverse side for listing for principal exempt uses of tangible personal property or services and fill in the block with proper subsection citation).

I, the undersigned purchaser, have read and complied with the instructions and rules promulgated pursuant to the New Jersey Sales and Use Tax Act with respect to the use of the Exempt Use Certificate and it is my belief that the seller named herein is not required to collect the sales or use tax on the transaction or transactions covered by this Certificate. The undersigned purchaser hereby swears under the penalties for perjury and false swearing that all of the information shown in this Certificate is true.

Crest Manufacturing, Inc.

NAME OF PURCHASER (as registered with the New Jersey Division of Taxation)

26 Eleventh Ave. Hackettstown NJ 07840
(Address of Purchaser)

By Henry Johnson President
(Signature of Owner, Partner, Officer of Corporation, etc. or qualified officer of Agency)

MAY BE REPRODUCED
(Front and Back Required)

Exempt Organization Certificate (Form ST-5)

An Exempt Organization Certificate, Form ST-5, is used by a qualified, registered nonprofit organization to purchase, with its own funds, goods and services for its *exclusive* use without paying sales tax. Some examples of organizations that may have exempt status are churches, hospitals, veterans' organizations, and fire companies. When the organization makes purchases, a photocopy of the Form ST-5 is given to the supplier in lieu of paying sales tax.

NOTE: State Occupancy Fee/Municipal Occupancy Tax. Although qualified nonprofit organizations are exempt from New Jersey sales tax under the New Jersey Sales and Use Tax Act, these organizations are not exempt from the State occupancy fee or the municipal occupancy tax. Thus the ST-5 cannot be used to exempt a qualified nonprofit organization from paying either the fee or the tax.

Form ST-5 is not required for the United States or State of New Jersey departments or agencies, or New Jersey political subdivisions or public schools to make tax-exempt purchases. Payment from government funds with the official letterhead or purchase order signed by a qualified officer is sufficient proof for the vendor of the exemption from paying the sales tax. For cash purchases of less than \$150, a Form ST-4, Exempt Use Certificate, signed by a qualified government or school official is satisfactory. There is an exemption from paying the State occupancy fee and the municipal occupancy tax for agencies and instrumentalities of the United States and the State of New Jersey, and New

Jersey political subdivisions and public schools. Documentation provided to exempt purchases from sales tax is also sufficient to provide exemption from the occupancy fee/tax.

For more information on exempt organization certificates, request brochure M-5014, *Exempt Organization Certificate Form ST-5*.

Direct Payment Permit (Forms ST-6A and ST-6X)

The holder of a valid Regular Direct Payment Permit may issue Form ST-6A at the time of purchase in those cases where the taxable status of the purchase is not known at the time of purchase. (The holder of a valid Audit Direct Payment Permit may issue Form ST-6X at the time of purchase according to the terms of the taxpayer's audit agreement governing use of the certificate.)

To obtain a Regular Direct Payment Permit, complete an Application for Direct Payment Permit, Form ST-6B, and mail to:

NEW JERSEY DIVISION OF TAXATION
PO Box 264
TRENTON NJ 08695-0264

An application for a Regular Direct Payment Permit may be filed only by registered businesses that acquire tangible personal property or services under circumstances which make it impossible at the time of purchase to determine the taxable status of the property or services.

NOTE: The holder of a Regular Direct Payment Permit may *not* use Form ST-6A to purchase goods that are clearly taxable at the time of purchase, such as office equipment and supplies, repair services, etc.

A list of Direct Payment Permit Holders is available at:

www.state.nj.us/treasury/taxation/taxinfo.htm

Farmer's Exemption Certificate (Form ST-7)

Farmers, including nursery owners and greenhouse owners, use this exemption certificate to purchase goods and certain services used directly and primarily for the production, handling, and preservation *for sale* of agricultural or horticultural commodities. The exemption applies only to purchases by the farmer; it does not apply to purchases by contractors or others doing work for the farmer. A farmer does not need to be registered with the State to issue Form ST-7.

The exemption does not apply to purchases of automobiles, energy, or materials which will be incorporated into a building or structure. However, farmers may issue Form ST-7 to purchase materials to construct a silo, greenhouse, grain bin, or manure handling facility that is to be used directly and primarily in the production, handling, or preservation of farm commodities for sale. This exception for certain construction materials applies only to purchases by farmers; it does not apply to purchases by contractors.

For more information about exempt purchases of certain commercial vehicles, including certain vehicles registered for farm use, see *Commercial Motor Vehicles* on page 8.

Certificate of Capital Improvement (Form ST-8)

A Certificate of Capital Improvement, Form ST-8, is issued by a property owner to a contractor when work is done to real property which

results in a capital improvement. A capital improvement occurs when real property (land or buildings) is improved in a way that increases its capital value or useful life. A property owner issues Form ST-8 to the contractor and does not pay sales tax on the *labor* portion of the contractor's bill. Sales tax is paid on the materials at the time of purchase by the contractor or by any other individual making the purchase. A property owner does *not* need to register with New Jersey to issue Form ST-8.

For more information on capital improvements, request Tax Topic Bulletin S&U-2, *Sales Tax and Home Improvements*.

Motor Vehicle Sales and Use Tax Exemption Report (Form ST-10)

Form ST-10 is used by registered motor vehicle dealers to report sales tax exemptions to the Division for *nonresidents* who have purchased and taken delivery of motor vehicles in this State. The purchaser signs Form ST-10 certifying that he/she is a nonresident and meets all the requirements for claiming a sales tax exemption. See *Good Faith* on page 3.

NOTE: If a person has homes in both New Jersey and another state (e.g., owns a house in New Jersey, but spends the winters in Florida), he or she is not entitled to a sales tax exemption as a "nonresident."

For more information on sales tax and motor vehicles, see the *New Jersey Sales & Use Tax Guide for Automobile Dealers*, available at: www.state.nj.us/treasury/taxation/pdf/njcar.pdf

Aircraft Dealer Sales and Use Tax Exemption Report (Form ST-10-A)

Form ST-10-A is used by registered aircraft dealers to report exempt sales of airplanes.

When a *nonresident* comes into New Jersey and purchases an airplane, no sales tax is due provided the purchaser will base the airplane in another state. If the nonresident purchaser bases the airplane in New Jersey within 12 months of the date of sale, the exemption is voided and sales tax plus penalty and interest charges are due on the purchase price of the aircraft.

Vessel Dealer Sales and Use Tax Exemption Report (Form ST-10V)

Form ST-10V is used by registered vessel dealers to report exempt sales of boats. An exempt sale is one made to a New Jersey resident who purchases the boat in New Jersey for use outside New Jersey and, as part of the sales contract, the dealer transports the boat out of State or the dealer arranges to have the boat transported out of State. Sales tax is due if the resident purchaser does not pay sales or use tax on the boat in another state and then subsequently brings the boat back to New Jersey for use in this State, even on a limited basis.

Also exempt is a sale made to a nonresident who purchases the boat in New Jersey with the intention of basing it in his or her state of residence. This exemption applies whether the nonresident purchaser takes possession of the boat in New Jersey or contracts with the dealer to have it delivered out of State. If the nonresident purchaser bases the boat in New Jersey within 12 months of the date of sale, the exemption is voided and sales tax plus penalty and interest charges are due on the purchase price of the boat. The exemption does not apply if the non-

resident purchaser maintains a summer home or other place of abode in New Jersey.

Example

James T. Anderson of Pennington, New Jersey, purchased a 32-foot motorized sailboat from Luxury Crafts LTD, a registered vessel dealer located in Toms River, New Jersey. The sales contract for Jim's new boat specifies that the vessel will be transported by Luxury Crafts to a marina in Boca Raton, Florida, and delivered there to Mr. Anderson for use in that state. Luxury Crafts will complete a Vessel Dealer Sales and Use Tax Exemption Report (Form ST-10V) and not charge sales tax on the transaction. Mr. Anderson also signs the Form ST-10V certifying that the requirements for the sales tax exemption have been met.

Contractor's Exempt Purchase Certificate (Form ST-13)

Form ST-13 is used by registered contractors to purchase materials, supplies, or services for use in performing work on the real property of a qualified exempt organization (an organization which holds a valid New Jersey Exempt Organization Certificate, Form ST-5); or for a Federal or New Jersey governmental entity; or for a qualified housing sponsor. The contractor provides Form ST-13 to his supplier and does not pay sales tax on the purchase price provided the materials will be entirely used or consumed on the job contracted for by the exempt organization. Form ST-13 must include the exempt organization number shown on Form ST-5 or, if the work is being done for a qualified government agency, the agency's purchase order number.

Form ST-13 may *not* be used to rent machinery or equipment or to purchase tools or materials such as hammers and tarpaulins (rain covers)

which may be used on other jobs. For more information on Contractor's Exempt Purchase Certificates, request Tax Topic Bulletin S&U-3, *Contractors and New Jersey Taxes*.

Exemption Certificate for Student Textbooks (Form ST-16)

The sale of textbooks for use by students in a school, college, university, or other educational institution, approved as such by the Department of Education, is exempt from sales tax. When the educational institution declares that the books are required reading for school purposes, the purchaser may issue the vendor Form ST-16 and not pay sales tax. The purchaser is *not* required to be registered with New Jersey to issue Form ST-16.

Urban Enterprise Zone Exempt Purchase Certificate (Form UZ-5)

Under the Urban Enterprise Zones Act, a qualified business is entitled to an exemption from sales and use tax on purchases of taxable tangible personal property (other than motor vehicles and motor vehicle parts and supplies) and taxable services (except telecommunications services) *for exclusive use or consumption on the premises of the qualified business at its zone location*. This exemption does not apply to gas or electricity used by the qualified business at its zone location. Only personal property controlled by the qualified business qualifies for the exemption. Tangible personal property includes items such as construction materials, office supplies, office or business equipment, office and store furnishings, trade fixtures, cash registers, etc. Exempt services performed for a qualified business at its zone location include items such as janitorial and maintenance services, installing, maintaining, or repairing tangible personal property used in business, etc. In

order to document the exemption, the qualified Urban Enterprise Zone business provides its vendor with a completed and executed copy of its Urban Enterprise Zone Exempt Purchase Certificate (Form UZ-5). The transaction must be completed by delivery within the effective dates on the UZ-5. Finally, this certificate is not available to vendors located within Urban Enterprise Zone-impacted business districts.

Contractor's Exempt Purchase Certificate — Urban Enterprise Zone (Form UZ-4)

A contractor issues a properly completed Contractor's Exempt Purchase Certificate - Urban Enterprise Zone (Form UZ-4) to suppliers when purchasing materials which will be incorporated into real property, supplies which will be entirely used or consumed on the job, or services for use in performing work for a qualified business at the business's real property in an Urban Enterprise Zone. The exemption does not apply to equipment that the contractor rents or leases to perform work for a qualified business. The contractor can only obtain Form UZ-4 from a qualified business. The contractor also issues copies of Form UZ-4 to subcontractors for their use in making exempt purchases for the job. Subcontractors must attach their name, address, and certificate of authority number (in addition to the name, address, and number of the contractor) and then give the UZ-4 and attachments to their vendors. Finally, this certificate is not available to vendors located within Urban Enterprise Zone-impacted business districts.

For more information on exemption certificates used by qualified businesses located within an Urban Enterprise Zone, see *Urban Enterprise Zone Tax Questions and Answers*, available at: www.state.nj.us/commerce/pdf/taxqu.pdf

For More Information

By Phone

- Call the Division of Taxation's Customer Service Center at **609-292-6400**
- TTY equipment users call **1-800-286-6613** (within NJ, NY, PA, DE, and MD) or **609-984-7300** (anywhere)

Online

- Division of Taxation Web site:
www.state.nj.us/treasury/taxation/
- E-mail: **taxation@tax.state.nj.us**
- Subscribe to *NJ Tax E-News*, the Division of Taxation's online information service, at:
www.state.nj.us/treasury/taxation/listserv.htm

In Writing

New Jersey Division of Taxation
Information and Publications Branch
PO Box 281
Trenton, NJ 08695-0281

Order Forms and Publications

- Call the Forms Request System at **1-800-323-4400** (Touch-tone phones within NJ, NY, PA, DE, and MD) or **609-826-4400** (Touch-tone phones anywhere)
- Call NJ TaxFax at **609-826-4500** from your fax machine's phone
- Visit the Division of Taxation's Web site:
www.state.nj.us/treasury/taxation/